



FLOODRE FLOODEX

Flood Re – A success in the making!
May 2017

Gary McNally, Chief Actuary

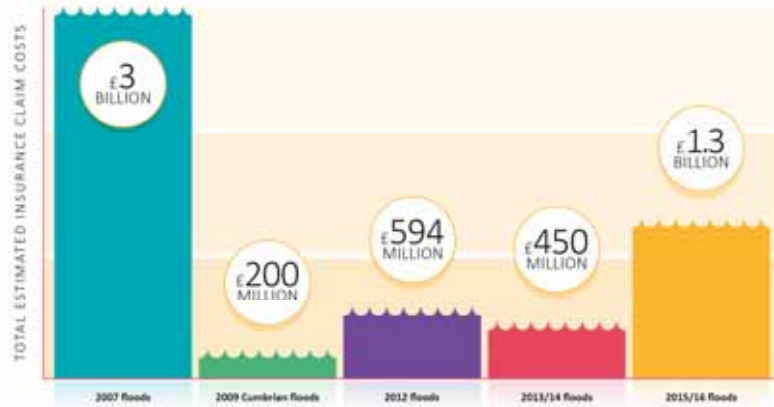
The slide features a dark blue header with the FLOODRE logo on the left and FLOODEX on the right. Below the header is a teal wavy line. The main content area is white with purple text for the title and date, and teal text for the speaker's name. At the bottom, there is an illustration of three red houses with dark blue roofs and walls, situated on a dark blue base. To the right of the houses is a teal wavy line representing water.

Flood Re – An Overview

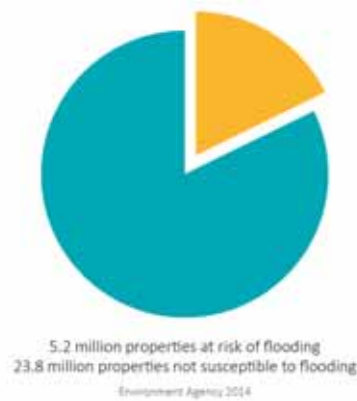
- Flood Re
 - what and why?
- Flood Re - Flood Reinsurer
 - how does it work?
- Year 1 headline figures
- Flood Re – Transition Plan
 - medium/longer term objectives



Estimated Total Claims Cost of Recent Events



Flood risk forecasts




Before Flood Re: **The Statement of Principles**

An agreement with Government, in place between 2000 and 2013 – the 'Statement of Principles':

- Insurers continued to offer cover (i.e. offer renewals)
- Government managed flood risk effectively
- Applied to both household and SME policies, for properties built before 2009.
Larger commercial properties not covered
- Separate (but virtually identical) agreements for England, Scotland, Wales and Northern Ireland

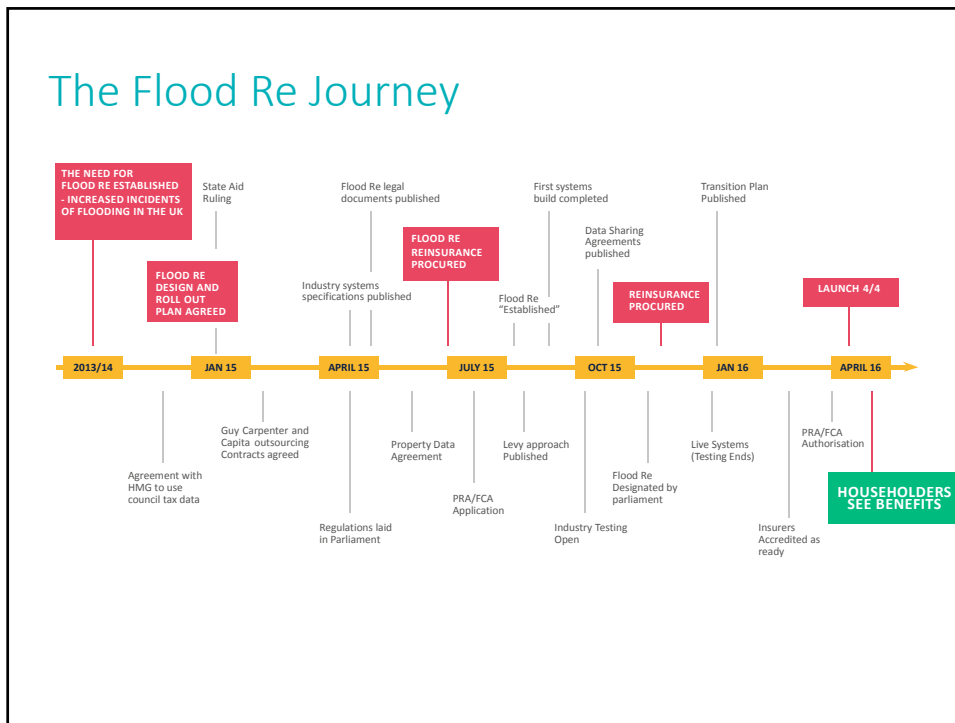
All four expired on 30th June 2013



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Flood Re – **What** and Why?





Flood Re – Our Dual Purpose

1. Flood Re’s purpose is to promote and enable the availability and affordability of flood insurance for eligible homes; and...
2. ... manage over its lifetime the transition to an affordable market for household flood insurance where prices reflect the risks of flooding





How Flood Re is funded*

A

For each policy to be ceded to Flood Re:
Ceded risk premium charged to insurers at a fixed price according to council tax bands:

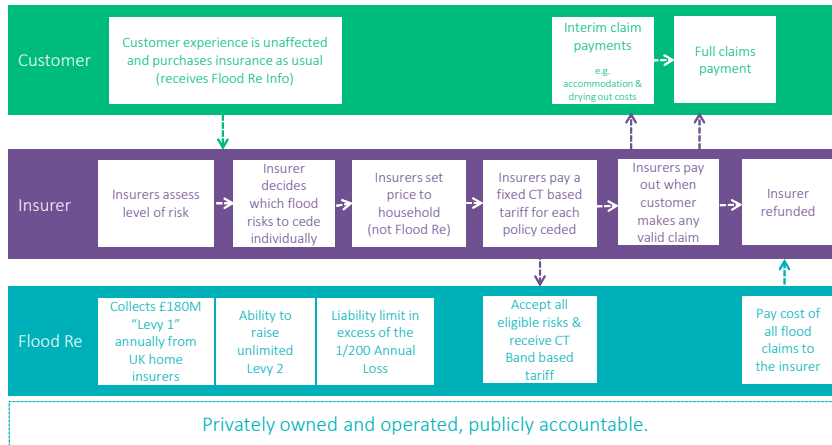
Council Tax Band	A,B	C	D	E	F	G	H
Buildings policy	132	148	168	199	260	334	600
Contents policy	78	98	108	131	148	206	400
Combined policy	210	246	276	330	408	540	1200

B

All insurers writing UK household business:
Levy 1 of £180m p.a.
Capacity to call a second Levy from UK household insurers if required
Insurers set retail prices – not Flood Re

*England and Scotland CT Bands shown

How Flood Re operates



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What property does Flood Re cover

Eligible Properties*:

- Insured in the name of individuals
- Must have a Council tax band (All Council Tax bands covered)
- Held for residential use
- Insured on individual basis
- Occupied by policy holder or immediate family some of the time or unoccupied

Out of scope:

- Homes built on or after 01 January 2009
- Small businesses (business rated)
- Properties (4+ residential units)
- Buildings cover for leasehold premises 2 or more units

*Full details can be found on www.floodre.co.uk

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Key Message to Households

- The majority of the UK household insurance market is now using Flood Re
- Not all business “channels” are yet online (e.g. broker channels) so they may need to change their existing way of buying insurance to get cover
- Householders should shop around if they think they fit the eligibility criteria but can't get Flood Re level cover, most easily recognised by the low £250 flood excess.

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Pre Flood Re – Availability & Affordability

Results from a benchmarking exercise of the insurance market **prior to Flood Re launch**

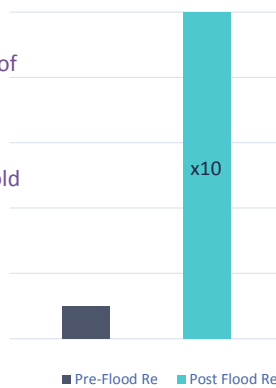


Flood Re – Addressing Availability

Previously Flooded Households
- Number of Quotes

Increase in number of brands quoting continues to grow

>90% of UK household insurance market capacity "Flood Re enabled"



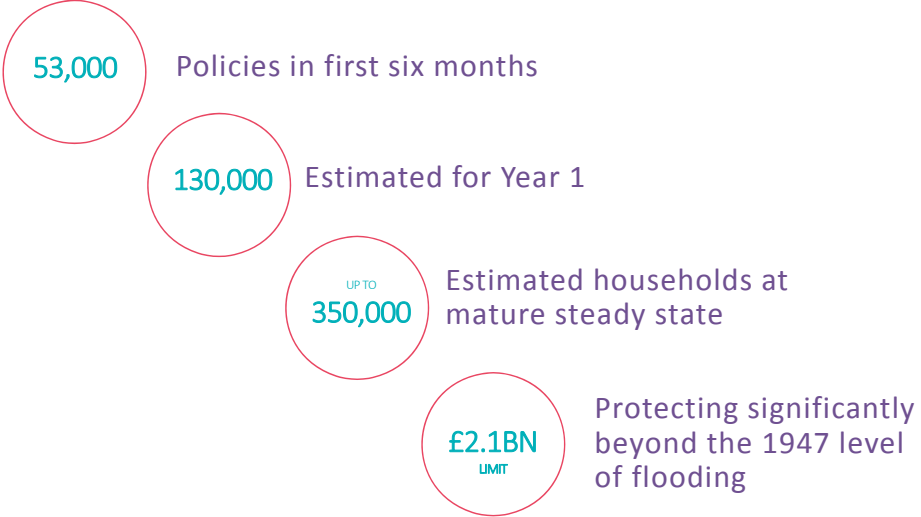
Saving for 4 out of 5 households previously affected by flooding – premiums down to less than 50% of pre Flood Re cost.

Policyholder excess levels

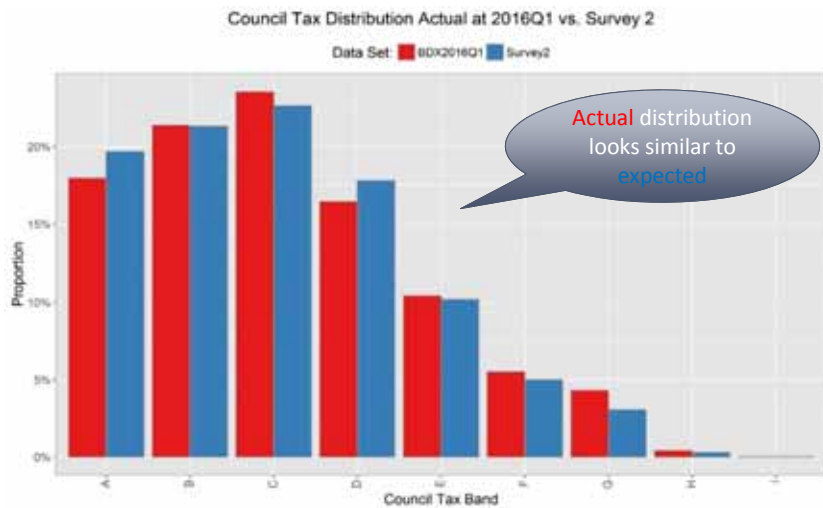
Figures based on Brands quoting - September 2017 Data for selected price comparison websites



Flood Re Portfolio Size



Flood Re Q2 Portfolio Risk Profile



Flood Re – Householders see benefits

Premium was £3,500, now £425
Excess was £30,000 now £250

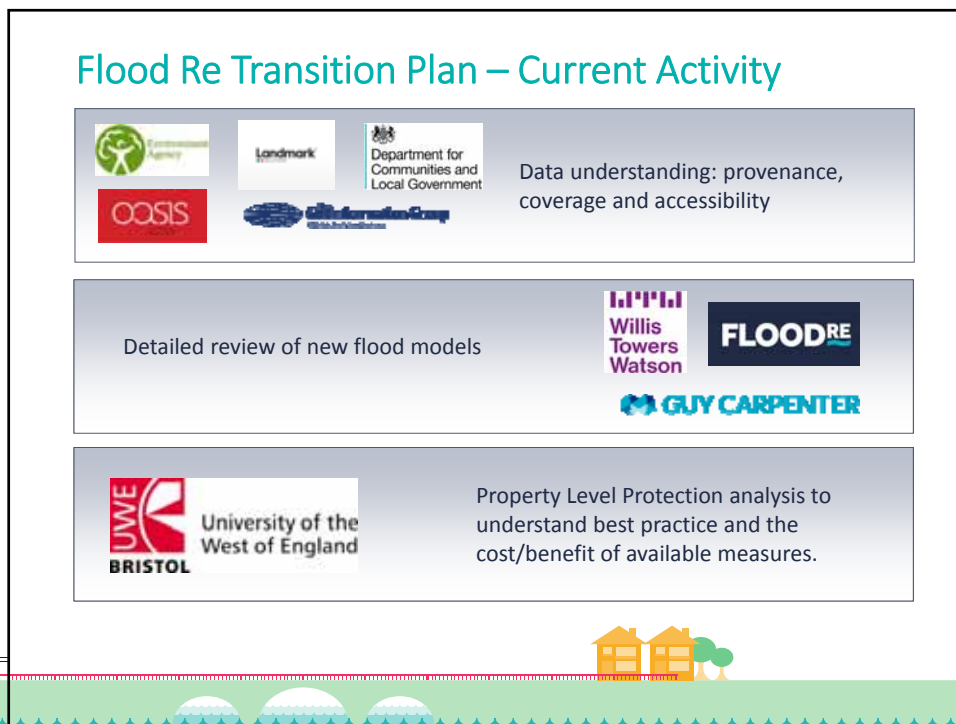
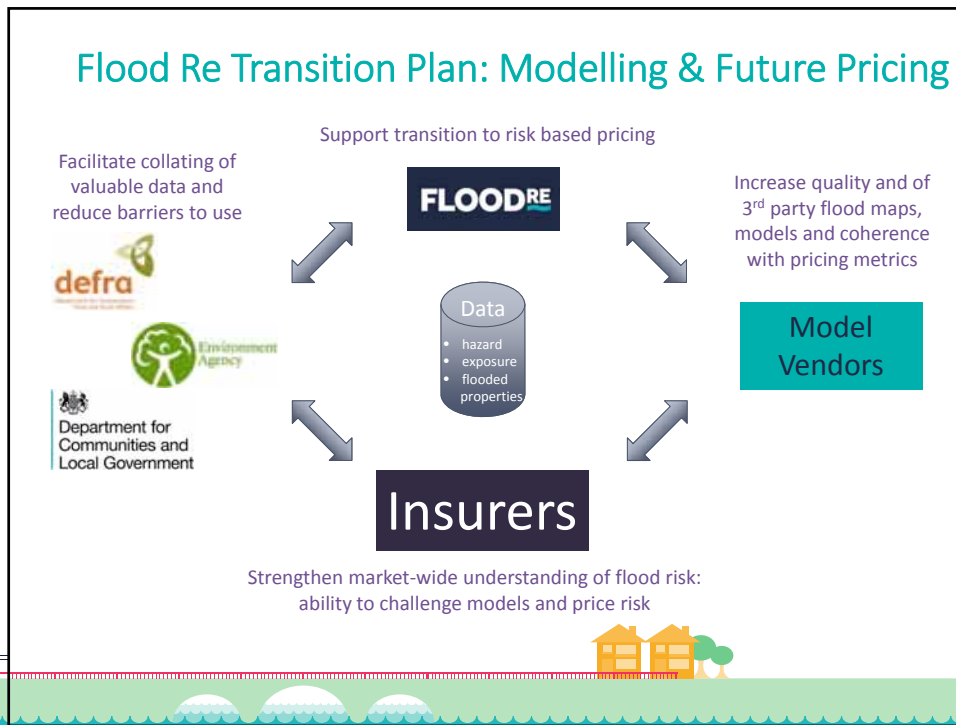


An introduction

This transition plan sets out how the Flood Re scheme will work with partners to enable lower prices and excesses to be offered to consumers by the time it comes to an end in 2039 after which, the risk of flooding and the cost of claims need to be reduced.

Flood Re – Transition to affordable risk based pricing

The diagram illustrates the transition to affordable risk-based pricing. It shows a graph where 'risk' is on the vertical axis and 'time' is on the horizontal axis. A grey arrow labeled 'Flood Risk' indicates a downward trend over time. This trend is influenced by several factors: 'Planning?' (yellow arrow pointing up), 'Climate' (red arrow pointing up), and 'Community defences, Property level protection, National Flood Response' (blue arrow pointing down). A dark blue box labeled 'FLOODRE' with the text 'Significant Influence for Change' is positioned to the right of the graph. Below the graph, an arrow labeled 'Cost of Claims' points from a house with a flood to another house with a flood, indicating a reduction in claims over time. The bottom of the slide features a landscape illustration with a river and houses.



Flood Re Transition Plan – Next Steps



... early value add ...



Flood Re website, posters and leaflets



FLOODRE

A success in the making!

- One of the most successful insurance industry initiatives to date
 - 130,000 households benefitting within the first year
 - Over 90% of the insurance market able to cede business
- Flood Re is both driving innovation and keen to promote activity that will help to reduce future flood risk



